

Message Text

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SUBJ: NEAR 8 PER CENT SIX MONTHS COST-OF-LIVING INCERASE STIRS

DEMAND FOR WAGE INCREASES

1. THE LATEST CPI FIGURES OF NZ DEPARTMENT OF STATISTICS RELEASED JAN. 13 SHOW AN INCREASE FOR THE DECEMBER 1975 QUARTER OF 4.1 PER CENT AND FOR JUNE-DECEMBER OF 7.92 PER CENT THE NUMBER OF VERY LARGE PRICE INCREASES FOR MANY SERVICES SUCH AS POSTAL CHARGES, RAILWAY PASSENGER AND FREIGHT, ELECTRIC POWER, AND TELEPHONE, ETC. (SEE WELLINGTON 75 3855 AND WELLINGTON 75 3898) ANNOUNCED IN LATE DECEMBER ALONG WITH THE BIG GASOLINE PRICE INCREASE (WELLINGTON 75 3796) WILL UNDOUBTEDLY BOOST THE CPI RISE IN 1976 EVEN HIGHER.

2. THIS MAY PRESENT THE NEW NATIONAL GOVERNMENT WITH ITS FIRST CHALLENGE IN LABOR RELATIONS. THE FEDERATION OF LABOR (FOL) AGREED IN DECEMBER (BEFORE THE ABOVE NOTED PRICE INCREASES WERE ANNOUNED) TO A GOVERNMENT PROPOSAL TO DELAY UNTIL LATE JANUARY THE SEMI-ANNUAL WAGE ORDER (COST-OF-LIVING ADJUSTMENT) DUE JAN. 9 TO ALLOW TALKS BETWEEN THE GOVERNMENT, THE FOL AND THE STRONG GOVERNMENT EMPLOYEES ORGANIZATION - THE COMBINED STATE
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SERVICES ORGANIZATION (CSSO).

3. FOLLOWING THE ANNOUNCEMENT OF THE CPI RISE, FOL AND THE CSSO SPOKESMEN HAVE DECLARED THAT THE WAGE ORDER MUST BE SUFFICIENT TO COMPENSATE FOR THAT INCREASE PLUS THE PRICE INCREASES ANNOUNCED EARLIER BY THE GOVERNMENT. HOWEVER, A SPLIT APPEARS TO BE DEVELOPING IN LABOR CIRCLES ON THE EXACT SIZE OF THE WAGE ORDER THEY WILL DEMAND. THE FOL PRESIDENT HAS PUT FORWARD 8.7 PERCENT BUT OTHER LABOR REPRESENTATIVES ARE DEMANDING UP TO 12 PERCENT.

4. ON THE OTHER HAND, IN A SPEECH GIVEN ON JAN. 15 (THE DAY THE CPI CAME OUT) PRIME MINISTER MULDOON SAID THAT THE WAGE ORDER "SHOULD BE QUITE A SMALL ONE".

5. THOUGH THE STATEMENTS ON BOTH SIDES ARE UNDOUBTEDLY POSTURING AT THIS POINT, UNLESS MULDOON COMES UP WITH A SATISFACTORY QUID PRO QUO LABOR WILL HARDLY SETTLE FOR A WAGE INCREASE OF THE ORDER OF THE 3 PERCENT GRANTED LAST JULY. BUT NEITHER IS IT LIKELY THE WAGE ORDER WILL BE OF THE MAGNITUDE BEING DEMANDED BY LABOR. IN THE LIGHT OF THE NEARLY 8 PERCENT SIX MONTH CPI INCREASE LABOR WILL UNDOUBTEDLY FIGHT FOR A LARGER WAGE ORDER. UNDER THE LABOUR GOVERNMENT FOL TEMPERED WAGE DEMANDS IN 1975 TO COOPERATE WITH THE GOVERNMENT'S FULL EMPLOYMENT POLICY. THOUGH MULDOON HAS STATED HE WILL NOT USE UNEMPLOYMENT AS A MEANS OF GETTING THE ECONOMY "BACK IN BALANCE", HIS POSITION ON ACTION TO CURB INCREASED UNEMPLOYMENT IS NOT CLEAR.

6. BUT MULDOON DOESN'T STAND ALONE AGAINST LABOR ON THIS ISSUE. THE EMPLOYERS' FEDERATION SPOKESMAN MADE IT CLEAR THAT INDUSTRY AND THE ECONOMY COULD NOT AFFORD AN INCREASE EQUAL TO THE CPI INCREASE. INDUSTRY WITH ITS SHRUNKEN PROFITS COULD NOT ABSORB WAGE INCREASES. PRICES WOULD HAVE TO RISE. THE RETAILERS' FEDERATION, THOUGH ACKNOWLEDGING THAT INITIALLY INCREASED WAGES WOULD MEAN GREATER RETAIL SALES, STRESSED THAT THE LONG TERM EFFECTS WOULD BE "DISASTROUS FOR EMPLOYERS AS WELL AS EMPLOYEES." THE NZ CHAMBERS OF COMMERCE PRESIDENT, IN DECLARING AGAINST A LARGER WAGE ORDER, POINTED OUT THAT WAGE INCREASES

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SHOULD BE PRECEDED BY INCREASES IN PRODUCTIVITY AND THAT PRODUCTIVITY OF LABOR AND OVERALL PRODUCTION HAVE, IN FACT F LLEN.

7 MEETINGS BETWEEN LABOR AND GOVERNMENT ON THE SIZE OF THE WAGE ORDER WILL START NEXT WEEK. AT THIS TIME IT WOULD APPEAR LIKELY THAT, THOUGH SOME LABOR ELEMENTS WILL

BE MORE DISPLEASED THAN OTHERS, A COMPROMISE FIGURE SHOULD
BE REACHED WITHOUT CONFRONTATION OR WORK STOPPAGES.
THEREJUS A GENERAL FEELING HERE THAT THERE WILL HAVE
TO BE OVERALL BELT TIGHTENING IN 1976. THE OBJECTIVE
IS TO AVOID LETTING ONE SECTOR GET SQUEEZED MORE THAN
ANOTHER.
KILLGORE

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